



DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
WASHINGTON NAVY YARD
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WASHINGTON, DC 20374-5065

IN REPLY REFER TO

ACQ 021

2 Jul 99

MEMORANDUM FOR ACQUISITION PERSONNEL

Subj: **AUDIT GUIDANCE ON DELINQUENT DISCLOSURE STATEMENT
SUBMISSIONS (99-28)**

Encl: (1) DCAA memo 99-PAC-075 (R) of 22 Jun 99

1. Enclosure (1) is furnished for your information and action, as appropriate.

A handwritten signature in black ink, appearing to read "M. F. Howard", is positioned above the name.

MICHAEL F. HOWARD
By direction

DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

PAC 730.31/99-5

22 June 1999
99-PAC-075 (R)

MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance on Delinquent Disclosure Statement Submissions

Background

On 28 February 1996, the Cost Accounting Standards Board (CASB) issued a final rule revising the Disclosure Statement form (CASB DS-1). At first, this revised Disclosure Statement form was required to be used only when a contractor submitted an initial Disclosure Statement or revised a significant portion of the existing Disclosure Statement after 28 February 1996. However, all applicable contractors and subcontractors must submit a new Disclosure Statement, using the revised form, not later than the beginning of the contractor's next full fiscal year after 31 December 1998. In other words, a calendar year contractor would have until 1 January 1999 to submit a complete Disclosure Statement using the revised CASB DS-1. The Eastern Region has advised that some contractors have not submitted the revised Disclosure Statement form as required. Additionally, the Eastern Region advises that the current CAM guidance may be confusing.

Guidance

CAM 8-203b discusses the requirements for the submission of the revised CASB DS-1. This section of CAM advises that:

Initial or revised submissions made on or after 28 February 1996 that are not submitted using the revised CASB DS-1 should be considered inadequate and reported to the ACO using the procedures set out in 8-208e.

Although not specifically addressed in CAM, the Eastern Region advises that some FAOs consider this guidance also to be applicable to contractors that have not submitted a revised CASB DS-1 by the required due date. The referenced CAM 8-208e section deals specifically with the reporting requirements for a submitted revised Disclosure Statement. In that case, both the contractor and the Administrative Contracting Officer (ACO) are aware of the submission. However, in a case where the contractor fails to provide a revised CASB DS-1 on the appropriate form by the required due date, it is possible that neither the contractor nor ACO are aware of this requirement. Therefore, we believe the more appropriate CAM guidance section to apply to this situation is 8-208g which states:

PAC 730.31/99-5

SUBJECT: Audit Guidance on Delinquent Disclosure Statement Submissions

If subsequent audits indicate that a previously accepted Disclosure Statement is inadequate, the contractor should be immediately advised in writing that a revision to the Disclosure Statement is necessary If the contractor will not make the revision, the auditor should issue an audit report recommending that the ACO withdraw the adequacy determination and request the contractor to submit a revised Disclosure Statement.

In order to assure that the required revised CASB DS-1 are received in a timely manner, we recommend that each FAO:

1. Identify contractors that are required to prepare a Disclosure Statement and who have not yet submitted a revised CASB DS-1.
2. Verbally confirm with the contractor and the cognizant ACO that the contractor has not submitted a revised CASB DS-1 using the February 1996 form and that the ACO has not provided a written extension of the due date.
3. For delinquent contractors, inform both the contractor and the ACO in writing of this requirement and that we will recommend that the contracting officer withdraw the adequacy determination if a revised Disclosure Statement using the February 1996 CASB DS-1 form is not received within 90 days after receipt of this notification. For your convenience, we have prepared the enclosed proforma letter to delinquent contractors. A copy of this written notification should be provided to the contracting officer.
4. Verbally verify receipt of this written notification by both the contractor and the ACO.
5. After receipt of the revised CASB DS-1, follow the guidance in CAM 8-200 regarding the audit of revised Disclosure Statements.
6. If the CASB DS-1 is not received by the specified due date, issue an audit report recommending that the ACO withdraw the adequacy determination.

Concluding Remarks

Please direct any questions or concerns you may have to Karen Cash, Program Manager, Accounting and Cost Principles Division, at (703) 767-3250 or DCAA-PAC@dcaa.mil.

/SIGNED/

Lawrence P. Uhlfelder
Assistant Director
Policy and Plans

Enclosure

Proforma Letter to Delinquent Contractors

DISTRIBUTION: C

PROFORMA LETTER FOR DELINQUENT CONTRACTORS

Reference

Date

Contractor Representative Name and Title

Contractor Name

Street Address

City, State, Zip

Subject: Disclosure Statement Using February 1996 CASB DS-1 Form

Dear Mr. [Contractor representative name]:

The purpose of this letter is to inform you of the requirement for the submission of a new Cost Accounting Standards Board (CASB) Disclosure Statement using the revised format published on 28 February 1996. At first, this revised Disclosure Statement form was required to be used only when a contractor submitted an initial Disclosure Statement or revised a significant portion of the existing Disclosure Statement after 28 February 1996. However, all applicable contractors and subcontractors must submit a new Disclosure Statement, using the revised form, not later than the beginning of the contractor's next full fiscal year after 31 December 1998. In other words, a calendar year contractor would have until 1 January 1999 to submit a complete Disclosure Statement using the revised CASB DS-1.

Our records indicate that [contractor name]'s fiscal year ends _____. Therefore, [contractor name]'s revised Disclosure Statement, using the February 1996 CASB DS-1 form, was due no later than _____. Although [contractor name] is already delinquent, we recognize that a determination that your Disclosure Statement is inadequate may have an adverse impact on the government procurement process. Accordingly, we believe it is appropriate to remind you of this Disclosure Statement requirement and to provide sufficient time for the preparation of an adequate revised Disclosure Statement. However, if we have not received [contractor name]'s revised Disclosure Statement on the February 1996 form by _____ [input date – 90 days after expected receipt of letter], we will issue an audit report recommending that the Administrative Contracting Officer withdraw the adequacy determination.

If you have any questions, please contact [input name and title of contact], at [telephone number, fax number, and e-mail address].

Sincerely,

FAO Manager

Copy furnished:

[name], Administrative Contracting Officer

Enclosure

DCAA MEMORANDUM FOR REGIONAL DIRECTORS COVER SHEET

AUDIT GUIDANCE/MANAGEMENT MEMORANDUM NO. 99-PAC-075(R)

Date of MRD: 22 Jun 1999

Subject of MRD: Audit Guidance on Delinquent Disclosure Statements (February 1996 Form)

Current Audit Guidance and/or Audit Management Guidance Affected:

| Paragraph | CAM Explanation of Effect on Current Version of CAM |
|-----------|---|
| 8-203b | Clarify that the auditor should follow the guidance in 8-208g when the contractor fails to provide a revised Disclosure Statement using the February 1996 form by the due date. |
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| STANDARD AUDIT PROGRAMS | | | |
|-------------------------|-------------------------|----------|--|
| Type of Report | Pro Forma Document Name | Step No. | Explanation of Effect on Current Audit Program |
| NONE | | | |
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| PRO FORMA AUDIT REPORTS | | | |
|-------------------------|-------------------------|----------|---|
| Type of Report | Pro Forma Document Name | Sec/Par. | Explanation of Effect on Current Audit Report |
| NONE | | | |
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| MEMORANDUMS FOR REGIONAL DIRECTORS | | |
|------------------------------------|------|-------------------------------|
| MRD No. | Date | Subject/Explanation of Change |
| NONE | | |
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| INTERNAL CONTROL QUESTIONNAIRE/VULNERABILITY ASSESSMENT PROCEDURES | | |
|--|---------------|---|
| ICQ or VAP | Section & No. | State Control(s) Affected by the Change |
| NONE | | |
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| DCAA PAMPHLETS/REGULATIONS/INSTRUCTIONS | | | |
|---|------|--------------|-----------------------|
| DCAAP/RI/No. | Date | Page/Sec/Par | Explanation of Effect |
| NONE | | | |
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| PROGRAM OBJECTIVE DOCUMENT/FMIS USER MANUAL | | |
|---|--------------|-----------------------|
| POD/Man | Page/Sec/Par | Explanation of Effect |
| NONE | | |
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